

MINUTES OF THE
INVESTMENT POLICY COMMITTEE
MEETING HELD
THURSDAY, DECEMBER 18, 2008 – 3:00 P.M.

Present: Committee Members Guy Alongi
 Allison Davis
 Michael Goetz
 Jack Mazzotti
 Ronald Powell, via telephone

Staff William Atwood
 Johara El-Harazin
 Alex Garcia
 Tim Kominiarek
 Scott Richards
 Linsey Schoemehl
 Katherine Spinato

Guests Marquette Associates
 Brian Wrubel, Elizabeth Francis
 The Townsend Group
 Rob Kochis, Dan Stenger
 Franklin Park
 Brad Atkins
 Podesta & Co.
 Kimberly Donovan

Absent: Committee Member None

ROLL CALL

Chairman Goetz called the meeting to order at 3:00 pm. The Secretary called the role and noted that a quorum was present.

MINUTES OF PREVIOUS MEETING

Mr. Mazzotti moved to approve the minutes of the Investment Policy Committee meeting held September 26, 2008 in the forms previously submitted. Mr. Davis seconded and the motion passed unanimously.

REPORT OF THE CHAIRMAN

None.

REPORT OF THE DIRECTOR

Director Atwood reported that the purpose of the meeting was to conduct in-depth reviews and hear general presentations from investment consultants: Marquette Associates, The Townsend Group and Franklin Park.

REPORT OF CONSULTANTS

Marquette Associates – General Portfolio Review

The Committee welcomed Mr. Wrubel and Ms. Francis who referred to the September 30, 2008 performance report and distributed the December 31, 2008 flash report. (Official minutes contain attachments). Mr. Wrubel conducted a detailed economic and portfolio review.

Following the review, Mr. Wrubel and staff recommended the following changes to the domestic equity portfolio:

- Terminate Northwest Quadrant Investment Management (NWQ) and transfer the assets to Rhumblin Russell 1000 Value Index, subject to successful contract negotiations.
- Terminate Howland and Associates convert the securities to cash.
- Terminate Martingale Asset Management and transfer the assets to Rhumblin Russell 2000 Value Index, subject to successful contract negotiations.
- Amend the Channing Capital Management account mandate from mid cap value to small cap value, pending successful contract negotiations.

Further, it was recommended that staff be given discretion, in consultation with Marquette Associates, to reallocate assets within the fixed income portfolio, in an

amount up to 2% of ISBI's portfolio value, to maximize risk and return, given current market conditions, and report back to the Board at the March meeting regarding any actions taken.

Following detailed discussion, Mr. Davis moved to approve and recommend to the Board the above-outlined recommended changes to the domestic equity portfolio and the recommendation to give staff discretion, in consultation with Marquette Associates, to reallocate assets within the fixed income portfolio, in an amount up to 2% of ISBI's portfolio value, to maximize risk and return, given current market conditions, and report back to the Board at the March meeting regarding any actions taken. Mr. Powell seconded and the motion passed unanimously.

The Townsend Group

The Committee welcomed Messrs. Kochis and Stenger who distributed a written presentation "View of the World: Real Estate Investing" dated December 17, 2008. (Official minutes contain attachment.) The Townsend representatives conducted a detailed review of the ISBI real estate portfolio and stated that specific investment recommendations would be coming during the next year.

Franklin Park

Private Equity Review – The Committee welcomed Mr. Atkins who referred to the previously distributed report "Private Equity Market Update & Outlook" dated December 2008. (Official minutes contain attachment.) Mr. Atkins conducted a detailed review of the ISBI private equity portfolio as outlined in the report.

FP Investment Review – Mr. Kominiarek referred the Committee members to his memorandum "Venture Capital – Franklin Park Recommendation", dated December 10, 2008. (Official minutes contain attachment.) Mr. Kominiarek reviewed the Franklin Park Venture Fund Series 2009 L.P. and recommended a commitment of up to 10% (approximately \$10 million) of ISBI's 2009 planned private equity commitments to Franklin Park Venture Fund Series 2009 L.P.

Following detailed review and discussion, Mr. Mazzotti moved to recommend to the Board a commitment of up to 10% (approximately \$10 million) of ISBI's 2009 planned private equity commitments to Franklin Park Venture Fund Series 2009 L.P. Mr. Alongi seconded and the motion passed unanimously.

UNFINISHED BUSINESS

None.

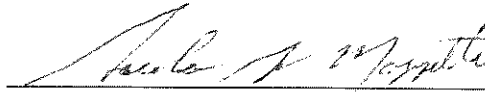
NEW BUSINESS

None.

NEXT MEETING AND ADJOURNMENT

At 4:55 p.m., there being no further business to come before the Committee, Mr. Mazzotti moved to adjourn. Mr. Alongi seconded and the motion passed unanimously.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Gordon J. Mazzotti", written over a horizontal line.

Gordon John Mazzotti, Vice Chairman
Illinois State Board of Investment

A handwritten signature in cursive script, appearing to read "Michael Goetz", written over a horizontal line.

Michael Goetz, Chairman
Illinois State Board of Investment